

## Message Text

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ORIGIN EB-07

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FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

UNCLAS STATE 056162

FOLLOWING REPEAT MADRID 970 ACTION USDA FAS WASHDC 09 FEB

QUOTE

UNCLAS MADRID 0970

FROM AGATT

TOFAS 14.

SUBJECT: SPANISH CORN IMPORT RESTRICTIONS  
RECENT EVENTS IN SPAIN HAVE RESULTED IN GOVERNMENT  
MEASURES TO RESTRICT IMPORTS OF CORN FROM ALL SOURCES.  
DURATION AND OUTCOME OF THESE POLICIES DIFFICULT TO  
ASSESS AT THIS TIME.

CORN IMPORTS INTO SPAIN DURING CY75 REACHED AN ALL-TIME  
HIGH OF 4.182 MILLION METRIC TONS. THIS HAS CONTRIBUTED  
TO AN ALREADY SEVERELY STRAINED BALANCE OF PAYMENTS  
SITUATION (SPAIN'S TOTAL IMPORTS DURING 1975 WERE VALUED  
AT ABOUT \$15.6 BILLION COMPARED TO EXPORTS OF ONLY \$7.4  
BILLION.)

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CORN GROWERS ALSO PRESSURING SPANISH GOVERNMENT TO LIMIT  
CORN IMPORTS. CURRENT PRICE SUPPORT LEVELS (9.38 PESETAS

PER KG, OR APPROXIMATELY \$157.00 PER METRIC TON) ARE HIGHER THAN CURRENT LANDED COST OF IMPORTED CORN FROM THE UNITED STATES. SITUATION COMPLICATED BY FACT THAT FARMERS ARE DEMANDING NEW PRICE OF 10.30 PESETAS PER KG. OR \$173.00 PER M.T. GRAIN MERCHANTS AND FEED MANUFACTURERS ARE THUS OPTING FOR IMPORTED CORN, MOST OF WHICH COMES FROM U.S. HIGHER PRICED SPANISH CORN CONSEQUENTLY UNABLE TO FIND MARKET. TO DRAMATIZE CONCERN, FARMERS ARE LINING HIGHWAYS WITH THEIR TRACTORS.

SPANISH GOVERNMENT HAS TAKEN FOLLOWING MEASURES TO RESTRICT CORN IMPORTS. FOR PAST WEEKS NO IMPORT LICENSES HAVE BEEN GRANTED. MINISTER OF AGRICULTURE HAS ALSO ANNOUNCED THAT, WHEN LICENSES WILL BE GRANTED, THEY WILL BE VALID FOR VERY SHORT TIME (ONLY 15 DAYS FOR CORN FROM ALL SOURCES) TO DISCOURAGE CORN IMPORTERS. VARIABLE LEVY HAS BEEN INCREASED TO 1,600 PESETAS (APPROXIMATELY \$26.85) PER M.T. THIS COUPLED WITH NORMAL DUTY OF 1.4 PERCENT AND COMPENSATORY DUTY OF 8.5 PERCENT EFFECTIVELY RAISES ALL TARIFF CHARGES TO APPROXIMATELY 32 PERCENT LANDED COST.

TRADE SOURCES NOTE THAT LONG RANGE IMPACT OF ABOVE ACTIONS DIFFICULT TO ASSESS AT THIS TIME. SPANISH CORN PRODUCTION 1975 APPROXIMATELY 1.8 MILLION M.T. OF WHICH IT IS ESTIMATED ONLY ONE MILLION M.T. AVAILABLE ON COMMERCIAL MARKET. DOMESTIC REQUIREMENTS ESTIMATED AT 6 MILLION M.T. AND DIFFERENCES MUST COME FROM OUTSIDE SOURCES, OR FROM DOMESTIC PRODUCTION SUBSTITUTE CROPS. RECORD 1975 BARLEY CROP OF 6.9 MILLION M.T. WILL LIKELY DISPLACE PART OF CORN REQUIREMENT. BUT HOW MUCH ADDITIONAL BARLEY CAN BE ABSORBED IN FEED COMPOUNDS DIFFICULT TO ASSESS. GENERAL FEELING IS THAT NOT MUCH MORE CAN BE TAKEN.

SPAIN FACES ADDITIONAL PROBLEM THAT BY INCREASING CORN PRICES, COSTS MUST BE EITHER ABSORBED BY SOME PART OF PROCESSING INDUSTRY, WHICH SEEMS UNLIKELY, OR ULTIMATELY BY CONSUMER, THUS FURTHER PROVOKING INFLATION. VARIOUS MINISTRIES TAKING DIFFERING VIEWS ON PROBLEM WITH MINAG GENERALLY SUPPORTING FARMERS AND MINCOMMERCE AND MINFINANCE  
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PRESSURING TO AVOID ANY PRICING POLICIES THAT WILL ULTIMATELY REACH CONSUMERS.

TO DATE ABOVE INFORMATION COMES ONLY FROM MINAG STATEMENTS APPEARING IN LOCAL PRESS AND FROM TRADE SOURCES. NO OFFICIAL POLICY STATEMENTS HAVE APPEARED IN OFFICIAL GAZETTE. IT IS EXPECTED THAT ABOVE MEASURES ARE TEMPORARY AND THAT OFFICIAL POLICY WILL BE ESTABLISHED SHORTLY. WILL REPORT AS EVENTS DEVELOP. UNQUOTE KISSINGER

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